

City of Bloomington, Minnesota CORPORATE REPORT to the Community

Fiscal Year Ending December 31, 2002, and Budget Year 2003

Mapping our community's progress

We are mapping our community's progress during challenging economic times. For years the City Council has set a resilient budget in preparation for a downturn by maintaining staffing and programs at lean levels, planning ahead and not adding programs or services without identified resources.

During the last 10 years the City has also improved services, invested in our community's renewal, upgraded infrastructure and increased our financial strength.

This was accomplished while keeping the **annual average property tax dollar levy (adjusted for state property tax changes) below 2.5 percent** – substantially below the average annual inflation plus community growth rate.

Challenges on the road ahead

Faced with a \$4.2 billion deficit through 2004-05, the state is looking for ways to balance its budget. For cities, this may mean eliminating the state revenue they receive through Local Government Aid (LGA). These revenues are used to fund a variety of services from public safety to street maintenance. Also at risk is the \$1.6 million in property tax relief for 2003 that the state promised to Bloomington homeowners.

Responsible budgeting

How will Bloomington fare? The City has worked hard to minimize levy increases. Anticipating the challenges ahead, expenditures were reduced by \$1.5 million between the preliminary and final 2003 budgets. Some downturn strategies, devised to gain Moody's top Aaa bond rating in 1998, were used this year. The result was a levy of 4.9 percent, **\$1.6 million below the state-imposed levy limit**.

In addition, Bloomington's share of LGA is small. Compared to other cities that receive as much as three to five dollars in state aid for every dollar raised in local property tax, **Bloomington receives only one cent of LGA per dollar of property tax**. Bloomington residents, on average, receive only five cents of market value credit for each dollar of property tax raised.

Long-term strategy

As a result of strong financial planning, Bloomington will be able to weather the downturn better than most communities in the state. The extreme levy limits proposed by the state for 2004, coupled with a continuing economic downturn that has lasted three years, will make budget complexities substantially more challenging. Whatever the scenario, the City will work to maintain the quality of essential City services at a cost affordable to residents. However, there may be changes to services that extend beyond those considered most essential.

Challenging economic times provide a great opportunity to lay the groundwork for the future.



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GFOA Award

The Government Finance Officers Association (GFOA) of the United States and Canada has given the City of Bloomington the *Award for Outstanding Achievement in Popular Annual Financial Reporting* for the fiscal year ended December 31, 2001. This prestigious national award recognizes the City's conformance with the highest standards for preparation of state and local government popular reports. The City of Bloomington has received a Popular Award for the last four years, the *Distinguished Budget Award* for the last six years and the *Certificate of Excellence in Government Reporting* for the past 30 years. ♦

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

CITY OF BLOOMINGTON, MINNESOTA

For the fiscal year ending December 31, 2001



William R. Hilde
President

Jeffrey L. Egan
Executive Director



The "average" home in Bloomington, used throughout this report except where noted, has a 2003 assessor's market value of \$202,210 with monthly property taxes for City services of \$52.09.

Renewing the community

To lay a solid groundwork for our future, the City has taken advantage of the opportunities presented while continuing to invest in our community. Some highlights include:

- ◆ Ensuring that streets remain in good condition through the City's Pavement Management Program. *See page CR8.*
- ◆ Expanding our water supply to become more self-reliant and keep up with increasing demand. *See page CR8.*
- ◆ Improving City facilities that will enhance service to residents for years to come. (The long-term costs make up less than five percent of the City's service costs.) *See page CR8.*
- ◆ Implementing street improvements at American Boulevard, France Avenue and Old Shakopee Road, and the Airport South District. *See pages CR5 and CR7.*

Navigating the future

Bloomington is a vibrant, healthy community. Our financial strength is among the best in the state and also the nation. However, the state's solutions to its budget problems may disrupt even the best plans made to weather an economic downturn. The continual renewal of Bloomington will provide a solid tax base for the long term. Strong leadership will keep us moving in a positive direction. The road ahead may be unknown, but preparation and planning will assist us in finding the most advantageous path. ♦



25,290

Average monthly visits to the City's Web site in 2002.



450,000

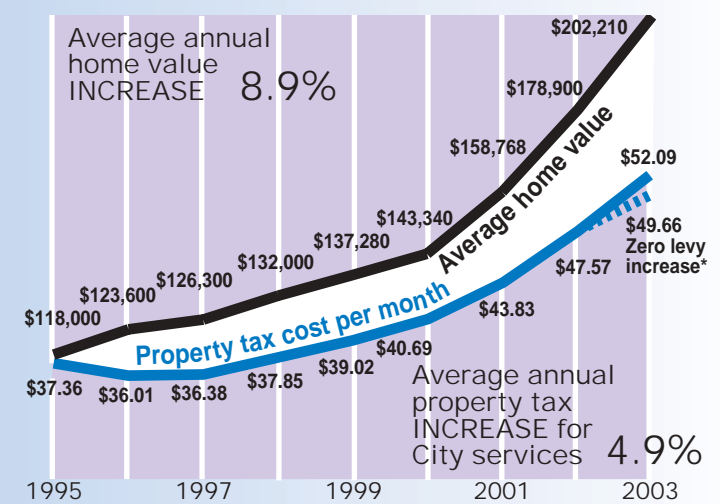
Vehicles that pass by I-494 and I-35W interchange per day.

Home values increase at higher rate than net property tax

City services enhance our lives and provide a stable foundation that helps home values continue to grow. Since 1995, the typical home value in Bloomington rose from \$118,000 to \$202,210, an average increase of 8.9 percent per year. In the same time period, the net property taxes for this home increased from \$37.36 to \$52.09 per month, up just 4.9 percent annually.

Residential home values have experienced stronger growth than commercial/industrial properties since the early 1990s. Coupled with legislative changes in property tax classifications, the average annual residential property tax for City services has gone up faster than property taxes for those services. The City works hard to provide a broad range of quality municipal services at one of the lowest property tax costs per household in the metropolitan area.

Homestead credit, the state aid that helped reduce property tax cost, was discontinued in 2002. For comparison, the aid has not been included for years prior to 2002.



* With no increase in the levy, the average homeowner would see a \$2.09 increase in their monthly tax due to state law changes and increased home market values.

City services your tax dollars buy



Residents receive a variety of City services at an affordable price. The cost of City services in 2003 for the average Bloomington homeowner, whose home has an assessor's market value of \$202,210, is \$52.09 per month – an increase of 9.5 percent from the previous year. Utilities are competitively priced and remained stable in 2002. The value received from City services compares favor-

ably to charges for other monthly bills.

Net property tax cost is obtained by subtracting all revenue sources other than the property tax from departmental expenditures. Water and sewer utilities are fee-based.

Property tax-supported services

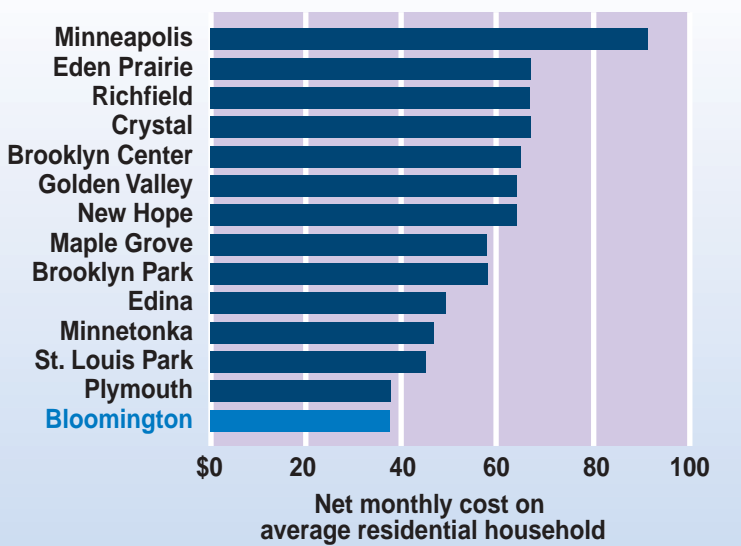
The checkbook shows how the monthly cost of property tax-supported services is divided among City departments.

Monthly cost of utilities

The monthly utilities cost for an average home in Bloomington is \$29.60 in 2003, including water, sewer, stormwater and solid waste. Charges increased in 2003 from \$1.55 to \$1.65 for each 1,000 gallons of water. Note: Water bills are mailed bimonthly and average \$59.20 per bill.

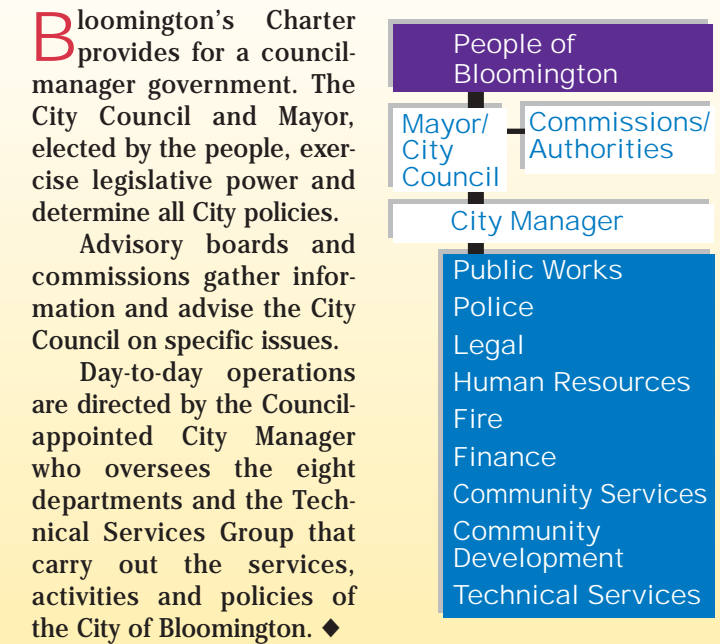
Bloomington ranks well in tax rate comparison

In a 2002 comparison of 14 Hennepin County communities with more than 20,000 residents, the property tax and property tax aids paid each month by the average household (when adjusted for Fiscal Disparities) showed Bloomington ranking the lowest. The average household paid \$37.50 per month* in property taxes to the City.



* Monthly property tax, plus Local Government Aid adjusted for Fiscal Disparities.

City's organizational chart

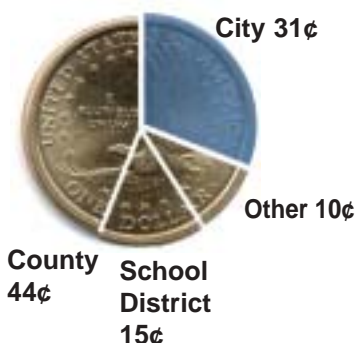


Dividing up your 2003 tax dollar

Your tax dollar is divided among several governmental entities. As the graphic shows, for every dollar of taxes paid, 31 percent pays for City services.

The actual amount of taxes owed is based on the market value and tax classification of the property and the levy. The levy for all local governmental entities is spread across properties

within the city's boundaries using tax capacity, a function of market value and property type. After applying educational aids, an average Bloomington homeowner pays \$2,300 in property taxes. Of that, \$625, or \$52.09 per month, goes to the City. The remaining \$1,675 goes to the School District, County or other agencies.



31,269
People who attended meetings and programs at Creekside Community Center in 2002.



6,200
People attended Bloomington Loves Its Kids in 2002, a 9 percent increase over 2001.

Surveying our progress

Outstanding achievement in performance

The City of Bloomington provides services that protect us, meet our diverse needs and enhance the quality of our lives. Some of those services have received national attention.

What works

The 2000 year-end results of the City's Fire Department and golf course operations appeared in the International City/County Management Association's 2002 edition of *What Works*, case studies of the effective use of performance data in local governments. Bloomington is one of the fewer than 30 governmental units cited for effective use of performance measurement.

Excellent fire prevention efforts

Structure fires per residential structure



Out of Bloomington's 22,450 residential structures, 30 fire incidents, or 0.13 percent, occurred. The mean for other cities around the country with populations under 100,000 is 0.29 percent. Reasons for low fire incidents may include Bloomington's housing stock and the Fire Prevention Division and Fire Department's prevention efforts.

Bloomington's residential structures are newer and contain fire suppression equipment such as sprinklers. The City and School District are aggressive in fire prevention education and the City makes sure that buildings are maintained according to codes.

Each fall, the City conducts a major campaign during fire prevention week to emphasize how smoke detectors can save lives. The campaign utilizes newspaper ads, Web site articles and public service announcements on cable TV. Staff also performs door-to-door inspections and provides free smoke detectors.

All-volunteer staff keeps cost low

Fire operations' expenditures/capital vehicle purchases per capita



At a cost of \$23.25 per capita, the City's expenditures for fire operations and capital vehicle purchases is only one-quarter of the mean of \$88.07 for all nationwide cities reporting.

The cost-effective performance is primarily due to the all-volunteer fire staff. Bloomington's 151 firefighters make up one of the largest all-volunteer departments in the country and Bloomington is the largest city in Minnesota to operate with a completely volunteer staff. Six fire stations serve more than 85,000 residents, 100,000 employees and 7,500 hotel rooms. The typical response time, from dispatch of a call until arrival of the first engine, is 4.2 minutes.

To further reduce costs while still maintaining effective fire services, the City shares first responder and medical transport duties with other agencies and recruits new firefighters according to specific scheduling needs.

Golf operations see green

Net golf revenues per capita



Approximately 85,000 nine-hole rounds of golf are played at the City's two golf courses, Dwan and Hyland Greens, during a seven-month season. Year-round snack bar revenues, competitive rates and promotion of repeat business contribute to net golf revenues of \$6.72 per capita. The national mean is \$.95.

The City keeps greens fees competitive with other courses in the area. In addition, a discount-card program and leagues help promote repeat business.

The golf courses, built in the 1960s and 70s, have always operated at a profit with revenues funding course improvements.

MILE MARKER 1

A WCCO-TV "Dimension" series video, produced with the help of the Bloomington Fire Prevention Division and Fire Department, received national recognition in 2002. The videotape of an at-home fire drill showed the urgent need for children to learn what a smoke detector sounds like and how to escape.

The video won several awards and was included in the National Fire Protection Association's fire awareness toolkit delivered to fire departments around the country. Because of efforts like this, Bloomington is recognized as one of the leading cities in fire prevention activities.

Source: International City/County Management Association's (ICMA) 2002 edition of *What Works*. ICMA surveys and interviews participants for its performance measures program to gather cost, revenue and staffing data.



38,000

Emergency 911 calls Police Department handles each year.



12,000

Residents who participate in Neighborhood Watch. (Total groups: 294.)



Top bond ratings

The City of Bloomington maintains Aaa and AAA bond ratings, the highest ratings awarded respectively by the bond agencies, Moody's and Standard & Poor's. The City is among the less-than-50 communities nationwide that hold both ratings.

Strong position

Standard & Poor's said the high rating and stable outlook reflects the City's strong, conservatively managed financial operations and manageable debt burden. Moody's believes the City will maintain its strong financial position because of its diverse and sizable economic base, favorable debt position and heavy support from non-levy sources.

Low interest

A municipal bond rating is similar to a corporate or individual credit rating. The extremely high ratings are measures of the quality of the City's financial position. This translates into interest savings because bond buyers are willing to earn lower interest as a tradeoff for secure debt. This ensures Bloomington's interest costs will remain as low as possible.

A healthy community

The City's excellent bond rating is a message to businesses and individuals that Bloomington is a healthy community. It also sends the signal to current and potential investors that Bloomington's financial future is strong. ♦

The General Fund



The General Fund, which accounts for a majority of City services, is Bloomington's primary operating fund. It uses current revenues to fulfill current expense obligations. This section contains specific information about each department within the General Fund. Expenditures were less than the budget in all 2002 General Fund operations.

Public Works

2002 Expenditures	\$8,410,993
2003 Budget	\$9,140,851
Net property tax cost for average home per month	\$ 10.90

Public Works provides safe and efficient transportation routes throughout Bloomington, maintains the City's streets, parks, vehicles and public facilities, and reviews the impact construction and development projects will have on local and regional infrastructure.

Police

2002 Expenditures	\$13,709,039
2003 Budget	\$14,301,838
Net property tax cost for average home per month	\$15.81

The Police Department works with the community to make the city a safer place to live, and partners with residents and businesses to address their diverse needs.

Fire

2002 Expenditures	\$2,088,977
2003 Budget	\$2,762,239
Net property tax cost for average home per month	\$4.72

The Fire Department protects the community by performing rescues, responding to fires, emergencies and hazardous materials incidents, and teaching fire prevention.

Human Resources

2002 Expenditures	\$524,176
2003 Budget	\$599,924
Net property tax cost for average home per month	\$0.69

Human Resources recruits and assists in hiring staff, oversees employee benefit programs and conducts employee relations activities on behalf of the City's personnel.

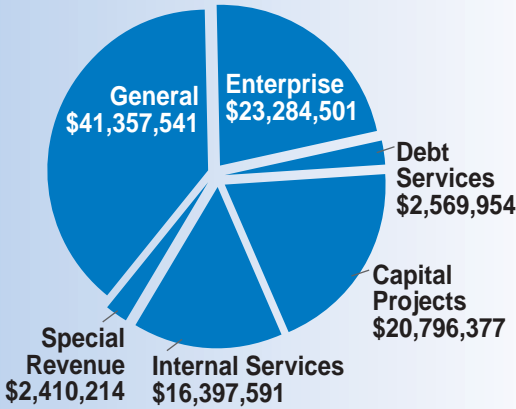
Finance

2002 Expenditures	\$1,114,213
2003 Budget	\$1,367,004
Net property tax cost for average home per month	\$1.56

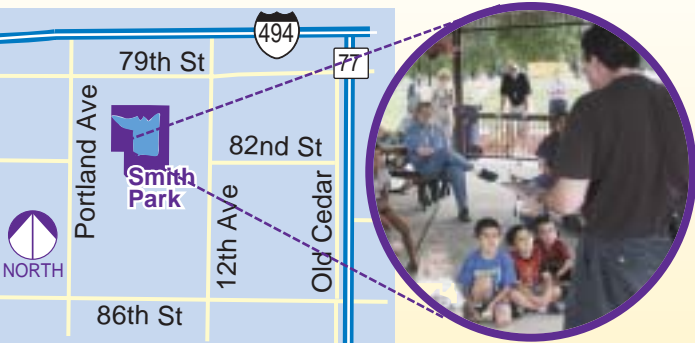
Finance provides financial management services and internal support services to other departments.

2002 Expenditures by fund

The City of Bloomington's Expenditures for all funds totaled \$106,816,178 in 2002.



Renovation yields many benefits



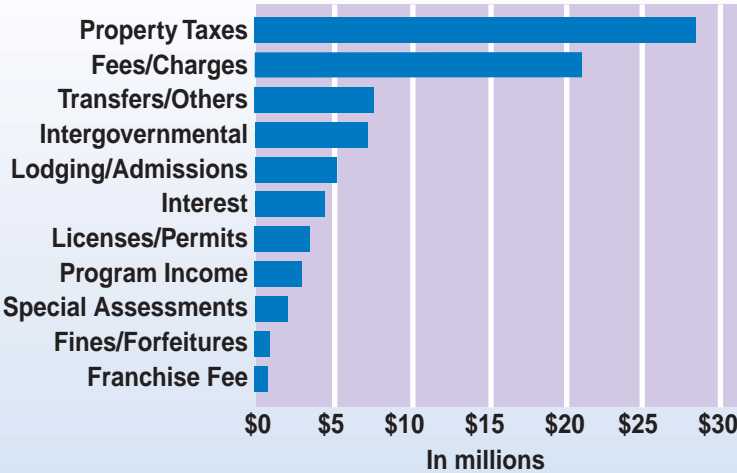
A grand opening was held in June 2002 to celebrate the renovation of Smith Park, 8155 Park Avenue South.

In 1999, renovation began by dredging the pond to improve water quality and expanding it to accommodate storm water. Paved and lighted trails were also added. The 25-acre park features two tennis courts (under construction), a basketball court, a gazebo, field lighting, ballfield irrigation, a picnic shelter and a pedestrian bridge crossing Smith Pond. Additional park amenities are planned. ♦

2002 Operating revenue sources

The City's major funds fall into the categories of the General, Enterprise, Debt Service, Capital Funding Projects, Internal Services and Special Revenue. These funds demonstrate how quality City services provide a good value for your tax dollar.

The examples of monthly expenses for City services described on the following pages use an "average" home which has a 2003 assessor's market value of \$202,210, with monthly property taxes for City services of \$52.09.



Diversification of revenue provides financial strength

Bloomington's low property tax rate is maintained by maximizing other funding sources and increasing pro-

ductivity. By diversifying revenue, the City of Bloomington is in a strong position to withstand economic shifts. ♦



1,164

Crappies and sunfish stocked in Smith Pond each year.



43

Cities nationwide with highest possible bond ratings from Moody's and Standard & Poor's.